

Riga,
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AS HansaMatrix
Registration No. 40003454390
To: Annual General Meeting

Supervisory Board report

AS HansaMatrix (hereinafter - the “Company”) and its subsidiary SIA HansaMatrix Ventspils, SIA HansaMatrix Pārogre, SIA HansaMatrix Innovation and SIA Zinātnes parks (hereinafter the Company and its subsidiaries are collectively referred to as the “Group”) business results in 2021 were influenced by a persisting global component shortage due to the Covid-19 pandemic. Despite the aforementioned impacting on business continuity, the Supervisory Board is satisfied with the Group's ability to maintain revenue and significantly increase EBITDA.

In 2021, the HansaMatrix Group's revenue from contracts with customers amounted to EUR 21.96 million, decreasing by 2.77% compared to 2020 revenue of EUR 22.59 million. In the reporting period, EBITDA amounted to EUR 3,732 million, which is a 23% increase compared to EUR 3,034 million in 2020. The Group's net profit was negative at EUR 1.952 million compared to the net loss of EUR 0.847 million in 2020.

The Group's revenue decline is due to the global shortage of electronic components. In the first half of 2021, the Group successfully managed the global component risks regarding shortages and supply chains and achieved good sales results. Although in the second half of 2021 the deficit of semiconductors had a significant impact on the Group's manufacturing and financial results, the Group's EBITDA growth in 2021 is due to increased demand in data networks and the industrial sector, allowing to increase the proportion of high value-added product share in revenue.

The Group's net profit in 2021 was negatively affected by several non-cash flow positions, including changes to the fair value of investment in SIA Zinātnes parks in amount of EUR 1,358 million, the loss of EUR 0.837 million from the subsidiary SIA LightSpace Technologies and by the Group's fair value revaluation of warrants issued to European Investment bank (EIB) in the amount of 0.228 million EUR.

For a better comparison of interim profitability and to separately evaluate Electronic Manufacturing Services (EMS) business profitability, the Group calculates normalized profit, which in 2021 amounted to EUR 0.928 million and was 107% higher than the corresponding indicator for 2020 of EUR 0.449 million.

In 2021 the Company continued to improve corporate governance by approving and implementing both a Risk Management Policy as well as a Sustainability Policy, in addition to publishing the first non-financial report together with the Annual Report for 2021, including key ESG indicators for the Group.

In January 2021, HansaMatrix began operations in its second plant in Ventspils, signing a 10-year lease agreement with the Ventspils Freeport authority to lease the newly constructed manufacturing building with a total area of 4600 square meters. The new plant complements the existing manufacturing capacity with a new integrated manufacturing process in plastic parts production and final product assembly, containing optical elements and systems. It doubled the box build assembly capacity available in the Ventspils manufacturing site.

In May 2021, Jānis Sams, who previously served in management roles at Schneider Electric and as the Chief Operating Officer and member of the Management Board of HansaMatrix, became CEO of the Company. Initially he has particularly focused on improving the manufacturing process efficiency and business development. With the change of CEO, two new members were appointed to the Management Board of HansaMatrix - Gatis Grava, HansaMatrix Ventspils manufacturing plant manager and Vitauts Galvanausks, Ogre manufacturing plant manager. Māris Macijevskis continued to serve as HansaMatrix Management Board Member and Chief Financial Officer. The Supervisory Board commends Ilmārs Osmanis, the Company's founder and former CEO, wish to focus fully on LightSpace Technologies development, leaving the management of HansaMatrix in safe hands.

In October 2021, HansaMatrix, with the involvement of the experienced financial consultant Superia, launched a process of evaluating strategic alternatives to support the Company's continued growth and increase shareholder value, with the goal of attracting financial or strategic investors. The Company's Board has made a significant contribution to this process, which continues in 2022.

Considering the aforementioned in this report, the Supervisory Board evaluates the work and contribution of the Management Board of the Company in 2021 as "good".

The Supervisory Board accepts the annual report of the Group and the Company for 2021 prepared by the Management Board of the Company and audited by Deloitte in accordance with International Financial Reporting Standards (IFRS) and does not see any necessary amendments to it. The Supervisory Board notes the risk factors mentioned by the auditors and will continue to pay attention to the fair values of the Company's investments, loan recoverability, shareholder loan repayment and liquidity ratios.

Kind regards,
Baiba Anda Rubesa
Supervisory Board Chair

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